

OFFICE OF FINANCIAL MANAGEMENT

STRATEGIC PLAN – OFFICIAL VERSION



July 2004

Better Information – Better Decisions – Better Government

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Executive Summary

The management team and agency staff developed this strategic planning document as a result of a lively strategic planning process. It is an accurate reflection of the values we want to uphold and recognizes all aspects of our business. For the Office of Financial Management, being strategic means being clear about our objectives, being aware of our resources and incorporating both so we can best respond to both new and exciting opportunities.

This plan gives general direction and emphasis to the work of the agency while being flexible enough to respond to unanticipated events and opportunities. As a staff agency OFM has had a number of new challenges added to its functions in recent years and we see that trend continuing. This plan will help us focus our energies so, as we work toward achieving our goals, we can assess and adjust our direction as necessary.

I am particularly pleased with the level of participation and interest this process generated. We believe that the value of our process lies with the interaction and communication used to produce it, and not merely the actual document produced. The richness of the discussion and your interest and contributions helped us arrive at a plan that we can apply to our daily operations.

This strategic plan demonstrates our continued commitment to supporting and attracting highly skilled individuals and strong leaders as we strive to maintain an OFM characterized by:

- A commitment to quality and integrity in all areas of responsibility.
- Dedication to efficiency and effectiveness in utilizing the state's limited resources,
- Systems and processes that are valued and appreciated by stakeholders, and
- A deep concern for its very important human resources.

Your management team recognizes that strategic planning is an ongoing process that needs continual monitoring and assessment of results. Therefore we intend to continue our discussions as we work towards better information, better decisions and better government.

Thank you for your commitment to excellence.

Marty

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The Office of Financial Management

The Office of Financial Management (OFM), established by the Washington State Legislature in 1969 as staff to the Governor for financial and management affairs, has both decision-making and operational responsibilities that impact other state agencies, their employees, and members of the public. Essentially, the Office of Financial Management:

- Plays a central role in budget planning, policy development, and fiscal administration for the executive branch.
- Prepares the executive budget proposal and monitors budget implementation.
- Maintains state government's statewide accounting systems, central books of accounts, and financial databases while also providing budget and accounting services to state agencies.
- Oversees statewide personal service and client service contracting activities.
- Conducts executive policy research and develops legislation to support the Governor's policy goals.
- Provides official population estimates and forecasts for revenue distribution and growth management planning; prepares budget driver, expenditure, economic, and revenue forecasts; conducts research to support budget and policy development; and administers the state census data center.
- Provides a comprehensive risk management program for all state agencies.
- Plays a critical role in statewide public employee labor management relations.

Divisions of The Office of Financial Management:

- An **Office of the Director** that includes the positions of Director, Deputy Director, and administrative support staff, as well as the Labor Relations, Legal Affairs, Legislative Affairs, Communications, OFM/Governor's Office Accounting, Employee Services and Management Consulting units.
- An **Accounting Division** that consists of Small Agency Client Services, Statewide Accounting Services, and Statewide Financial Systems.
- A **Budget Division**.
- A **Contracts, Forecasting and Risk Management Division**.
- An **Information Services and Facilities Division**.
- **Executive Policy** and
- **Governor's Special Projects** consisting of the Washington Commission for National and Community Service (WCNCS), a WorkFirst Performance Team, a Salmon Office, the Health Resources Grant Team, and the Office of Regulatory Assistance.

Our Mission

To provide vital information, fiscal services and policy support that the Governor, Legislature and state agencies need to serve the people of Washington State.

Our Vision

Better Information - Better Decisions - Better Government.

Our Values

Excellence

We take personal responsibility and great pride in pursuing and achieving excellence for better information, better decisions, and better government. We are known for our integrity and commitment to public service.

Clear, Open, and Honest Communication

We practice clear, open, and honest communication with customers, stakeholders and co-workers to foster trust and respect.

Customer Service

We are committed to meeting the needs of our customers. Their satisfaction is a source of our energy and motivates us to strive for even greater potential.

Team Work

We promote teamwork and the strength that comes from the talents and contributions of many, all working together as one.

Respect for Individuals

We recognize the value of diverse backgrounds and perspectives, and treat all people —customers, stakeholders and employees — with dignity, fairness, and understanding.

Change and Development

We are open to the challenges of change and value our own learning and development as key to unlocking the future.

OFM 2004-07 Strategic Plan

Introduction

The Office of Financial Management (OFM) plays a critical and distinctive role in state government as a staff agency, and as a division of the Office of the Governor. OFM is responsible for ensuring the development of sound policies, innovative solutions, and efficient and effective management principles for all of state government among its other duties as outlined in the RCW (See Appendix A). These duties and responsibilities are designed to assist and promote a vision of better information, better decisions, and better government by providing the support and resources state agencies need to achieve results in the eleven areas deemed “The Priorities Of Government” (POG). These result areas touch all aspects of life in Washington State and range from improving student achievement at all levels, to improving the quality and productivity of workforce and the economic vitality of businesses and individuals, to improving the ability of state government to achieve its results efficiently and effectively.

This time of pending change in Washington State’s gubernatorial administration presents new challenges and exciting opportunities. OFM plays a key role in assuring that the transference of power from one administration to the next occurs smoothly for the incoming governor and his or her team with the least disruption to state agencies. Not only does OFM handle the space and equipment needs of the new Governor’s transition team but it also creates the state’s policy and fiscal analytical documents utilized in preparation for governance by the gubernatorial finalists and the incoming governor. The Election itself also brings its own challenges in that OFM provides fiscal information to the public on initiatives that qualify for the ballot. Such data must be based upon sound assumptions and best judgments - its integrity and reliability must be guaranteed [in order to continually build public trust](#). In addition, at this time, Washington state government faces one of its biggest challenges in the Personnel Services Reform Act and OFM is central to its advancement. OFM is the coordinating agency among organizations involved in Washington Works. OFM is responsible for the first ever full-scale collective bargaining agreements; This is an opportunity to set the tone and shape the management style of state government for years to come. With the Department of Personnel’s implementation of a new human resource and payroll computer system, OFM assumes the role of enterprise architect for statewide systems and will be facing alterations, upgrades and replacements of companion systems.

Recently OFM embraced an additional newly assigned responsibility when the Legislature transferred the Office of Risk Management under the OFM umbrella to address the steady increase in tort liabilities over recent years. This has led to an expanded approach to risk management that addresses not only tort claims but to a greater extent, liabilities in general.

While addressing all of the issues noted above and more, one of the most difficult tasks OFM always faces is taking care of its own. OFM has a professional dedicated staff that often becomes so absorbed in achieving its

mission and vision that they ignore their own needs. We must continue to commit ourselves to devoting time and resources to the professional and dedicated staff that are integral to the role of OFM.

OFM's strategic planning challenge is to create a flexible, adaptive infrastructure that can react to mandates while taking advantage of opportunities. This strategic plan is not as much about what OFM is going to do as it is about **what OFM seeks to be** in Washington State's government – that of a winning organization! We see the role as one that:

- ❑ Provides an ongoing dynamic framework for action in both the short term and the long term, upon which trustworthy decisions can be made about the Priorities of Government.
- ❑ Creates a shared vision and proficient understanding for all employees regarding the reason the organization exists, what it is trying to achieve, and how (values it upholds) it goes about achieving it.
- ❑ Recognizes and supports its employees who take responsibility for the work that they do, seek out opportunities to increase efficiencies and effectiveness, work hard toward the achievement of organizational goals, and grow and are supported in their abilities.
- ❑ Is known for its commitment to public service, pride and loyalty towards its employees and a strong dedication to meeting the needs of all its customers.

Such an approach provides a clear understanding of what our responsibilities are so that resources can be focused toward attaining those goals with integrity and excellence, and we can take advantage of opportunities for improvements in state operations.

Note: This 2004-07 strategic plan has four goals or areas of responsibilities while the last 2003-05 strategic plan had five. Two of the previous goals were combined into one for the 2004-07 plan because the management team believes these four areas more clearly and distinctly express the critical areas of responsibility to be addressed in the coming three years.

Goal One

Assist the Governor in **developing and implementing budget and policy initiatives** that benefit the people of Washington State.

Issue Analysis:

1. **Much progress has been made toward a results-based budgeting approach** – the Priorities of Government (POG). As this effort continues to evolve, there is need to upgrade or replace capital budget tools and to develop appropriate evaluation tools that will help staff and agencies analyze performance and efficiencies. It also is important to expand our collaborative relationship with legislative staff and to consider options for more public participation and feedback to the POG process. This includes more effective communication of budget priorities.

2. **The transition to a new administration** in January 2005 is expected to significantly impact agency resources and the workload of agency staff. However, agency staff recognize, appreciate, and are committed to their very important role of assisting any new administration to successfully transition in and to be successful leaders in state government. To this end, resources are being assigned to successfully manage the transition and to ensure that OFM remains flexible and adaptable in the face of this change.

Addressing these issues will directly assist in realizing Statewide Results number eleven of the Priorities of Government: Improve the ability of state government to achieve its results efficiently and effectively.

Strategies:

- 1.1 Integrate fiscal, managerial and policy systems to more cohesively reflect OFM's central management role.
- 1.2 Lead an effective transition to the next administration.
- 1.3 Advance POG budgeting approach to government by changing statewide systems as needed to support this results-oriented approach, and by examining and developing evaluation tools needed for the POG process.

Executive Sponsors:
Candace Espeseth,
Irv Lefberg, Joyce
Turner and Sadie
Rodriguez-Hawkins.

See Appendix B for strategy relationships with Agency Activity Inventory.

Some broad activities designed to achieve this goal and its strategies are:

- ❑ **POG II will be designed by OFM executive and budget staff and used in the 2005-07 biennium budget development.** This results based approach to budgeting continues to be the catalyst for integration of budget, accounting, forecasting, policy, data and other related systems. As a result, the following will take place to support, integrate, and more cohesively reflect OFM's central management role: the current Chart of Accounts will be reviewed and redesigned as needed, and

forecasting briefs and consulting and other services to support the POG approach will be developed and implemented.

- ❑ **Development of high-quality, comprehensive transition briefing materials and the planning for appropriate support resources.** The Budget Division will be preparing back-to-back biennial budgets – the first to meet the incumbent governor’s legal requirement to submit a budget by Dec. 20, 2004 and the second for the new governor who will take office in January 2005. At the same time, OFM will be developing agency and OFM briefing materials for the new administration. The appropriate level of resources will be assigned to ensure that the necessary staff and tools are applied to this task.

- ❑ **Develop a Roadmap for improvement of the state’s core financial systems so that they align with and promote desired management practices.** The Statewide Financial Systems unit of OFM expects to create and follow a disciplined process called a Roadmap for the incremental implementation of enhanced financial management systems, potentially leveraging the State’s current investment in the SAP software for the HRMS (Human Resource Management System). This process will result in the alignment of financial systems with the state’s desired management practices including budgeting and accounting by activity and performance based reporting. This effort is expected to not only enable the state’s current financial management systems to meet current financial management and reporting requirements, but it will also increase the efficiency of the state’s business processes.

Objectives Achieved:

- 1.1 The POG approach is effectively integrated into budget development and systems support.
- 1.2 Transition to the next administration sets the standards by which future transitions are measured.
- 1.3 OFM is more effective in its central management role in state government.

Goal Two

Improve our effectiveness in **helping state agencies succeed** in meeting their goals and fulfilling their responsibilities.

Issue Analysis:

1. **Lack of adequately trained state financial managers** is cited by budget and accounting analysts as a key risk factor affecting the state's financial health. In the last several years, a number of agencies had difficulties in meeting some basic information requirements of the financial management cycle. It is imperative that the state employs and trains a talented corps of finance specialists to ensure the state has effective and responsible financial management.
2. **In total, over the past three fiscal years**, the state paid out a total of \$159 million in risk management claims. For the first quarter of 2004, claims payments already amount to \$17 million. In its new role as administrator of the state's risk management program, OFM must work toward maximizing efficient use of limited state resources by improving integration of risk-management principles into the daily administrative practices and decision-making processes of state government.
3. **The Labor Relations Office (LRO)** was established to manage the collective bargaining process with union-represented state employees on behalf of the Governor, as established in the Personnel System Reform Act of 2002. The LRO is breaking new ground in the state's relationship with employee unions and forthcoming labor agreements could have far-reaching impacts not only on the budget, but also on a variety of workplace issues.

There is a need to address these challenging issues while building stronger collaborations and strengthening leadership within divisions and units both internal and external to OFM. Addressing these issues will directly relate to improving the quality and productivity of the workforce (2005-07 Statewide Results #2) and improving the ability of state government to achieve its results efficiently and effectively (2005-07 Statewide Results #11).

Strategies:

- 2.1 Establish the standards necessary to assist and guide state agencies in successfully meeting OFM's sound financial management principles.
- 2.2 Provide guidance and systems that will align and improve the management, performance, accountability and effectiveness of the state's financial and administrative services, with an emphasis on risk management and labor relations.
- 2.3 Maximize the return on the state's investment in enterprise-wide systems.

**Executive Sponsors,
Candace Espeseth,
Gary Robinson and
Sadie Rodriguez-
Hawkins.**

See Appendix B for strategy relationships with Agency Activity Inventory.

Some broad activities designed to achieve this goal and its strategies are:

- ❑ **Provide enterprise services** that increase the value and manage the risk of agency programs. An enterprise approach to resolving issues be they related to financial systems, risk management, or staff training and development, will help promote sustainability and manage business solutions in a cost effective manner.
- ❑ **Build partnerships within OFM** so that common services and tools are used across state government. Partnering among OFM divisions will support a holistic approach to governance that promotes collaborations thereby improving our effectiveness in helping state agencies succeed in meeting their goals and fulfilling their responsibilities.
- ❑ **Strengthen the agency's IT (Information Technology) Portfolio** approach to ensure information technology investments are strategic and focus on supporting entire business processes. The IT Portfolio approach is an evolution of existing processes developed to ensure the proper prioritization and management of the organization's IT resources. This includes developing and maintaining central financial and administrative systems, along with systems that serve OFM's internal staff.

Objective Achieved:

- 2.1 OFM is clear about what sound financial management looks like. Staff can readily describe defined standards, and OFM is effective in providing agencies with the guidance and appropriate training, they may need to meet established standards for sound financial management.
- 2.2 Negotiated collective bargaining agreements that enable agencies to manage effectively in the new labor relation's environment. Risk management principles are expanded to include all aspects of state business, which promotes a proactive approach to risk management that helps reduce the expense of claims against the state.
- 2.3 Transaction-processing systems and applications are integrated and made more user-friendly, which saves the state money by improving management, performance, accountability and effectiveness of state services.

Goal Three

Ensure the integrity of information provided by OFM to government agencies, the Legislature and the general public.

Issue Analysis:

Much has been achieved in improving the accuracy, objectivity, timeliness and usefulness of data and information provided by OFM. The POG approach to budgeting, wider dissemination of the six-year fiscal outlook for state government, early efforts to define the state's fiscal crisis and a new quarterly fiscal report have improved confidence in state government, and in the information it provides to the Legislature and public. OFM has also made great strides in making its budget, accounting, policy, and forecasting information available electronically via the Internet for its many customers: state agencies, local government and the public. Making data even more available and understandable to both the expert practitioner and the citizens of our state can further enhance the quality and reliability of OFM information. Effort also needs to be focused on improving our analytical tools to ensure consistency, user friendliness, and integration and synchronization of all data systems.

Strategies:

- 3.1 Provide easy, timely access to valuable and reliable information.
- 3.2 Improve the research, analytical and customer service skills of staff.

Executive Sponsors:
Candace Espeseth,
Irv Lefberg, Nick
Pender, , and Sadie
Rodriguez-Hawkins

See Appendix B for strategy relationships with Agency Activity Inventory.

Some broad activities designed to achieve this goal and its strategies are:

- ❑ **Advance and leverage partnerships** within and external to OFM to achieve integration and consistency among systems, tools, and data. We believe that if we partner with our peers, both internally and externally, to achieve common enterprise solutions, this will promote understanding and alignment with each other's needs. Such relationships reduce redundancy and promote the integrity and reliability of data and information.
- ❑ **Make OFM population, economic, and fiscal data more comprehensive, accessible and useable** through the addition of new content, better tools for users, and website functionality. One of the many things this will facilitate is the provision of technical assistance to DSHS and the Caseload Forecast Council for review and re-design of the Medical Assistance forecast.
- ❑ **Employ highly secure and reliable methods of data storage and data transfer** to ensure the accuracy and integrity of published information. As OFM expands into new areas of responsibility, the

need for data classifications, quality controls for state economic analyses and data security concerns become more of a priority.

- ❑ **Apply best practices** to assure consistency, accuracy, and competency in the areas of application development for reporting, and data organization.

Objectives We Expect to Achieve:

- 3.1 Adequate and consistent rules and tools for information access are established for OFM. Information systems are user-friendly.
- 3.2 A high regard for accuracy, timely information, and forecasts provided by OFM that leads to better decision-making and increased confidence in state government performance.

Goal Four

Create a culture within OFM that is supportive, constructive and safe for our own employees.

Issue Analysis:

Results of recent employee surveys showed that OFM employees generally feel safe and supported by their agency. However, the change to a new administration and reform of the state personnel system creates anxieties that must be addressed so that employees continue to feel secure and supported. There also are concerns about loss of institutional knowledge in accounting, budgeting and policy development, about whether effective training programs will be available to compensate for the loss, and about how employees can better relate to and connect with the agency's strategic plan. We believe an approach that embraces the following elements will address these valid concerns.

Strategies:

- 4.1 Emphasize and promote leadership and effective management systems and practices that:
 - Provide the necessary resources, tools and training for all employees,
 - Emphasize and recognize the value and importance of management responsibilities, and
 - Ensure that individual employee performance can be linked to the organization's vision, mission, goals and strategies.
- 4.2 Ensure successful implementation of the Personnel System Reform Act within OFM.
- 4.3 Provide conscious management and implementation of the strategic plan to ensure effective communication, ongoing review, monitoring and measurements of success.

**Executive Sponsors:
Management
Consulting Team**

See Appendix B for strategy relationships with Agency Activity Inventory.

Some broad activities designed to achieve this goal and its strategies are:

- ❑ **Establish various networking, recognition and appreciation events** to promote good management and strong leadership. It has been stated that strong leadership and good management bring the following to any organization:
 - Ensures the organization continues to be supportive, constructive and safe for employees
 - Provides necessary resources, tools and training to employees, supervisors and managers
 - Emphasizes and recognizes the value and importance of management responsibilities
 - Ensures that individual performance can be linked to the organization's vision, mission, goals and strategies

These are the organizational qualities OFM expects to maintain by promoting good management and strong leadership.

- ❑ **The strategic expansion/enhancement of workforce planning efforts.** This includes support for the development and facilitation of expanded and/or division-specific training and core curriculums as needed, and establishing and implementing hiring policies to address the concerns about loss of institutional knowledge. OFM, like most state agencies at this time, is expecting a large number of employees to move on to retirement, and/or promotional or transfer opportunities within the next four years. This will create a gap of experienced employees in the critical areas of budget, accounting, and policy development, as well as a loss of institutional knowledge in many other critical areas.
- ❑ **Develop an approach to address maintaining good communications** as the agency physically expands around the state capital. With the addition of new responsibilities, OFM has increased in size and thus there is the need to house staff and divisions in areas of the state capital other than the main capital campus. Management recognizes that this will the impact agency's traditional mode of transacting business that can have many positive and some not so positive effects. This may also lead to less effective communication efforts and some staff feeling disconnected. To address this proactively the management consulting team will be looking at ways to ensure that we maintain and even improve our interactions and communications.
- ❑ **Develop a plan for communicating, implementing and sustaining Washington Works initiatives.** Washington Works is the coordinated effort to use provisions of the Personnel System Reform Act of 2002 – civil service reform, collective bargaining and competitive contracting – to improve Washington's high-performance government. All components of the law are to be implemented by July 1, 2005.
- ❑ **Support and encourage the development of activities related to the enhancement of employee performance and satisfaction.** Employee performance and satisfaction are key to the excellent performance staff at OFM are known for. To maintain this standard, the management team is expected to continue sponsoring and supporting staff training and professional development opportunities, as well as recognition and appreciation events.

Objective Achieved:

- 4.1 OFM is a place where most employees excel in their work, feel supported and are safe.
- 4.2 OFM is able to attract and retain the most competent, well-trained workforce.
- 4.3 Staff understand and support the strategic plan and can relate to and articulate their individual, unit and division strategies and goals to the agency's overall goals. This leads to improved communications, stronger collaborations within OFM, and staff that are strongly motivated to achieve agency goals.

Assessment of OFM's 2003-05 Strategic Plan: March 2004

This is an Executive Management Team assessment of the update to the 2003-05 strategic plan for the period January 2003 through February 2004, currently being refined for inclusion in the 2004-07 Strategic Planning materials.

At the last management team meeting (March 8, 2004), opinions and observations about the status of various initiatives were shared and it was agreed that the current 2003-05 strategic plan generally meets the needs of our agency, is reasonable and responsive in addressing our goals, and that most initiatives are on track toward achieving targets.

Achievements to date demonstrate a spirit of collaboration and a well-developed capability to achieve the desired strategic results for OFM. OFM staff analyze needs at all levels of the agency, develop and implement new procedures and systems, and adapt them to actual situations in a constantly changing environment. The results are a true indication of organizational success. Much has been achieved; the management team is pleased with the work done to date and fully support continued work to achieve the agency's objectives.

Specific items to highlight from the management team discussion include:

Goal One: Assist the Governor in developing and implementing budget and policy initiatives that benefit the people of Washington State.

Much progress has been made toward a results-based budgeting approach. As this effort continues to evolve, there is need to focus on: appropriate tools for staff and agencies; effective communication of budget priorities to the public; and integration of the statewide results perspective with the existing agency-oriented budget process.

Challenges

1. Infrastructure to support OFM budget initiatives:

- Information System resources for flexible and upgraded systems.
- Varying degrees of state agency knowledge and resources for activity accounting and performance measurement.
- Lack of practical models for tying dollars to results and demonstrating government efficiency.
- Uncharted territory for the second phase of the Priorities-of-Government (POG) process.
- Lack of tools in certain areas: e.g. capital budgeting.

2. Transition to a new Governor (requiring two separate biennial budget recommendations for 2005-07)

3. Desire for more legislative consensus on the data needed for their budget decision-making.
4. Limited resources to support long-term studies and on-going research to match new decision environment.

Goal Two: Improve our effectiveness in helping state agencies succeed in meeting their goals and fulfilling their responsibilities.

There is continued effort to integrate the newly acquired operational arms of OFM: Risk Management and Labor Relations, with the rest of OFM. Risk Management has implemented the new Loss Prevention Review Program and worked closely with other agencies on case management. The Labor Relations unit is in various stages of negotiations with different state employee unions and is expected to arrive at some early key agreements soon. In addition, the Contracts Unit has had significant workload this past year planning and conducting legislatively mandated training classes for both client and personal service contracts in order to promote more effective contract management among all state agencies and to reduce contract risk to the State. Going forward, we anticipate building stronger collaborations and statewide leadership with divisions and units both internal and external to OFM.

Challenges

- Lack of trained/experienced fiscal staff in some agencies.
- Limited financial resources, especially in agencies.
- Varied understanding of OFM's role.

Goal Three: Promote confidence in state governments by ensuring the integrity of information provided by OFM to executive agencies, the Legislature and the general public.

Our skilled staff continue to find innovative ways to improve the accuracy, objectivity, and usefulness of data and information provided by OFM. New ways of looking at the budget developed for POG I, wider dissemination of the "six year fiscal outlook," early efforts to define the state's fiscal crisis, and a new quarterly fiscal report have improved confidence in state government and in the information it provides to the Legislature and public. Additional accomplishments include joint efforts by Forecasting, Budget and Policy to provide data base and analytic support to the Education and Human Sections of the Budget Division, to develop outcome indicators and provide more systematic research support for POG. Courses in agency data resources and demographic, economic and fiscal trends offered at the OFM forum have contributed further to the information side of OFM's business. Additional work is underway by Accounting, Budget, Forecasting and IS to make critical data, models, and analytic tools more easily available to the public, the Legislature, and other agencies.

Information management is a very challenging aspect of OFM's business. There is growing demand for services both internally and externally (BASS, HRMS, Single Source of Numbers, Statewide Information Coordination Consortium), a never-ending cycle of system development, and the ever-present challenge of limited resources and costs of maintenance. Such demand means that Information Services and

Statewide Financial Systems staff may see themselves as playing “catch-up” with less time for system managers to examine efficiencies and to invest in network and infrastructure upgrades. This may call for greater prioritization and managerial strategic support of these needs.

Challenges

- Public skepticism about government in general.
- Vast amounts of available data, lack of common language, and duplication of data collection centers.
- Lack of financial resources for management-oriented data systems.
- Detailed knowledge of OFM databases vested in relatively few staff.

Goal Four: Provide guidance and systems that will improve the management, performance, accountability and effectiveness of state programs.

The success achieved in addressing projects related to the improvement of the management, performance, accountability and effectiveness of state programs has lead to a sprouting of additional projects that has stretched staff involved in these activities to maximum capacity. There is now a need to re-evaluate how best we gain additional resources to affect the changes that need to be made.

Challenges

- High expectations for continual system improvement and access to data.
- Dual role as statewide financial system provider and OFM central system provider.
- Limited financial resources.

Goal Five: Create a culture within OFM that promotes customer service and is supportive, constructive, and safe for our own employees.

The results of initiatives here are a culmination of staff activities, systems, and processes that are supported by our HR/Management Consulting team. This makes it more challenging to implement and to measure – calling for stronger collaborations and communication among divisions and units. Yet, based on our recent employee survey, we are doing well in this arena. But as is true for most things, there is always room for improvement. The management team looks forward to meeting this continued challenge in the coming year.

Challenges

- Change of Governor
- Ambiguity about who the “customer” is.
- Tension between OFM’s service provider and regulator roles.
- Experienced staff leaving the agency through retirement or moves to other agencies.

Appendix A – Statutory Authority – General

RCW 43.41 establishes the **Office of Financial Management (OFM)** as a division of the Office of the Governor.

RCW 43.41.030 clearly identifies the strategic role of OFM:

The Legislature finds that the need for long-range state program planning and for the short-range planning carried on through the budget process, complement each other. The biennial budget submitted to the Legislature must be considered in the light of the longer-range plans and goals of the state. The effectiveness of the short-range plan presented as budget proposals, cannot be measured without being aware of these longer-range goals. Thus efficient management requires that the planning and fiscal activities of state government be integrated into a unified process. It is the purpose of this chapter to bring these functions together in a new division of the office of the governor to be called the office of financial management.

This chapter also prescribes the general powers and duties of the OFM under **43.41.110** Powers and duties of Office of Financial Management. It clearly states:

The office of financial management shall:

- (1) Provide technical assistance to the governor and the Legislature in identifying needs and in planning to meet those needs through state programs and a plan for expenditures.
- (2) Perform the comprehensive planning functions and processes necessary or advisable for state program planning and development, preparation of the budget, inter-departmental and inter-governmental coordination and cooperation, and determination of state capital improvement requirements.
- (3) Provide assistance and coordination to state agencies and departments in their preparation of plans and programs.
- (4) Provide general coordination and review of plans in functional areas of state government as may be necessary for receipt of federal or state funds.
- (5) Participate with other states or subdivisions thereof in interstate planning.
- (6) Encourage educational and research programs that further planning and provide administrative and technical services thereof.
- (7) Carry out the provisions of RCW 43.62.010 through 43.62.050 relating to the state census.
- (8) Carry out the provisions of this chapter and chapter 4.92 RCW relating to risk management.

- (9) Be the official state participant in the federal-state cooperative program for local population estimates and as such certify all city and county special censuses to be considered in the allocation of state and federal revenues.
- (10) Be the official state center for processing and dissemination of federal decennial or quinquennial census data in cooperation with other state agencies.
- (11) Be the official state agency certifying annexations, incorporations, or disincorporations to the United States bureau of the census.
- (12) Review all United States bureau of the census population estimates used for federal revenue sharing purposes and provide a liaison for local governments with the United States bureau of the census in adjusting or correcting revenue sharing population estimates.
- (13) Provide fiscal notes depicting the expected fiscal impact of proposed legislation in accordance with chapter 43.88A RCW.
- (14) Be the official state agency to estimate and manage the cash flow of all public funds as provided in chapter 43.88 RCW. To this end, the office shall adopt such rules as are necessary to manage the cash flow of public funds.

RCW 43.88 – State Budgeting Accounting and Reporting System (Formerly Budget and Accounting) - establishes an effective state budgeting, accounting, and reporting system for all activities of the state government, including both capital and operating expenditures; to prescribe the powers and duties of the governor as these relate to securing such fiscal controls as will promote effective budget administration; and to prescribe the responsibilities of agencies of the executive branch of the state government.

RCW 39.29 - Personal Service Contracts - Establishes open competition for personal service contracts entered into by state agencies and provides for executive review by OFM of personal service contracts, centralization of information of these contracts for ease of public review, and proper accounting of the personal service expenditures.

RCW 43.88.160

Fiscal management -- Powers and duties of officers and agencies.

This section sets forth the major fiscal duties and responsibilities of officers and agencies of the executive branch. The regulations issued by the governor pursuant to this chapter shall provide for a comprehensive, orderly basis for fiscal management and control, including efficient accounting and reporting therefor, for the executive branch of the state government and may include, in addition, such requirements as will generally promote more efficient public management in the state.

- (1) Governor; director of financial management. The governor, through the director of financial management, shall devise and supervise a modern and complete accounting system for each agency to the end that all revenues, expenditures, receipts, disbursements, resources, and obligations of the state shall be properly and systematically accounted for. The accounting system shall include the development of accurate, timely records and reports of all financial affairs of the state. The system shall also provide for central accounts in the office of financial management at the level of detail deemed necessary by the director to perform central financial

management. The director of financial management shall adopt and periodically update an accounting procedures manual. Any agency maintaining its own accounting and reporting system shall comply with the updated accounting procedures manual and the rules of the director adopted under this chapter. An agency may receive a waiver from complying with this requirement if the waiver is approved by the director. Waivers expire at the end of the fiscal biennium for which they are granted. The director shall forward notice of waivers granted to the appropriate legislative fiscal committees. The director of financial management may require such financial, statistical, and other reports as the director deems necessary from all agencies covering any period.

(2) Except as provided in chapter **43.88C** RCW, the director of financial management is responsible for quarterly reporting of primary operating budget drivers such as applicable workloads, caseload estimates, and appropriate unit cost data. These reports shall be transmitted to the legislative fiscal committees or by electronic means to the legislative evaluation and accountability program committee. Quarterly reports shall include actual monthly data and the variance between actual and estimated data to date. The reports shall also include estimates of these items for the remainder of the budget period.

(3) The director of financial management shall report at least annually to the appropriate legislative committees regarding the status of all appropriated capital projects, including transportation projects, showing significant cost overruns or underruns. If funds are shifted from one project to another, the office of financial management shall also reflect this in the annual variance report. Once a project is complete, the report shall provide a final summary showing estimated start and completion dates of each project phase compared to actual dates, estimated costs of each project phase compared to actual costs, and whether or not there are any outstanding liabilities or unsettled claims at the time of completion.

(4) In addition, the director of financial management, as agent of the governor, shall:

(a) Develop and maintain a system of internal controls and internal audits comprising methods and procedures to be adopted by each agency that will safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies for accounting and financial controls. The system developed by the director shall include criteria for determining the scope and comprehensiveness of internal controls required by classes of agencies, depending on the level of resources at risk.

Each agency head or authorized designee shall be assigned the responsibility and authority for establishing and maintaining internal audits following the standards of internal auditing of the institute of internal auditors;

(b) Make surveys and analyses of agencies with the object of determining better methods and increased effectiveness in the use of manpower and materials; and the director shall authorize expenditures for employee training to the end that the state may benefit from training facilities made available to state employees;

(c) Establish policies for allowing the contracting of child care services;

(d) Report to the governor with regard to duplication of effort or lack of coordination among agencies;

(e) Review any pay and classification plans, and changes thereunder, developed by any agency for their fiscal impact: PROVIDED, That none of the provisions of this subsection shall affect merit systems of personnel management now existing or hereafter established by statute relating to the fixing of qualifications requirements for recruitment, appointment, or promotion of employees of any agency. The director shall advise and confer with agencies including appropriate standing committees of the Legislature as may be designated by the speaker

of the house and the president of the senate regarding the fiscal impact of such plans and may amend or alter the plans, except that for the following agencies no amendment or alteration of the plans may be made without the approval of the agency concerned: Agencies headed by elective officials;

(f) Fix the number and classes of positions or authorized employee years of employment for each agency and during the fiscal period amend the determinations previously fixed by the director except that the director shall not be empowered to fix the number or the classes for the following: Agencies headed by elective officials;

(g) Adopt rules to effectuate provisions contained in (a) through (f) of this subsection.

Appendix B – Relationships with Agency Activity Inventory

Strategy	Statement of Activities from Agency Activity Inventory that are involved http://www.ofm.wa.gov/budget/activity/03-05/105inv.pdf
1.1: Integrate fiscal, managerial and policy systems to more cohesively reflect OFM's central management role.	<ul style="list-style-type: none"> ○ Accounting services for other agencies ○ Assessment payments on State Lands ○ Budget driver and expenditure forecasts, research and monitoring. ○ Central financial systems development and maintenance. ○ Governor's budget development ○
1.2: Lead an effective transition to the next administration.	<ul style="list-style-type: none"> ○ Statewide policy development for Governor's office.
1.3: Advance POG budgeting approach to government by changing statewide systems as needed to support this results-oriented approach, and by examining and developing evaluation tools needed for the POG process	<ul style="list-style-type: none"> ○ Central financial systems development and maintenance.
2.1: Establish the standards necessary to assist and guide state agencies in successfully meeting OFM's sound financial management principles.	<ul style="list-style-type: none"> ○ Personal Service and Client Service Contracts ○ Statewide accounting policies and reporting ○ Central financial systems development and maintenance.
2.2: Provide guidance and systems that will align and improve the management , performance, accountability and effectiveness of the state's financial and administrative services, with an emphasis on risk management and labor relations.	<ul style="list-style-type: none"> ○ Collective bargaining ○ Criminal history federal grant ○ Office of Regulatory Assistance ○ Risk management ○ Central financial systems development and maintenance.

<p>Strategy</p>	<p>Statement of Activities from Agency Activity Inventory involved</p> <p>http://www.ofm.wa.gov/budget/activity/03-05/105inv.pdf</p>
<p>2.3: Maximize the return on the state's investment in enterprise-wide systems.</p>	<ul style="list-style-type: none"> ○ Central financial systems development and maintenance.
<p>3.1: Adequate and consistent rules and tools for information access are established for OFM. Information systems are user-friendly.</p>	<ul style="list-style-type: none"> ○ Population Estimates, forecasts, and census data. ○ Central financial systems development and maintenance.
<p>3.2: OFM is highly regarded for its accurate, timely information, and for forecasts that lead to better decision-making.</p>	<ul style="list-style-type: none"> ○ Statewide economic and revenue forecasts, fiscal planning and research. ○ Central financial systems development and maintenance.
<p>4.1: Emphasize and promote leadership and effective management systems and practices that:</p> <ul style="list-style-type: none"> ○ Provide the necessary resources, tools and training to supervisors and managers ○ Emphasize and recognize the value and importance of management responsibilities and ○ Ensure that individual performance can be linked to the organization's vision, mission, goals and strategies 	
<p>4.2: Ensure successful implementation of the Personnel System Reform Act within OFM.</p>	
<p>4.3 Provide conscious management and implementation of the strategic plan to ensure effective communication, ongoing review, monitoring and measurements of success.</p>	